

# **Immigration and the Bridge to America's Future: A Comparative Economic Analysis of Pre- and Post-1965 Immigration**

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## Abstract

### Immigration and the Bridge to America's Future: A Comparative Economic Analysis of Pre- and Post-1965 Immigration

By

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The Immigration and Nationality Act of 1965 was a pivotal point in our immigration system. It effectively changed the face of immigration and created the very foundation of the current immigration system. The policy liberalized the American immigration system by eliminating the national origins quota system and establishing a preferences system. In doing so, it provided immigrants of Latin American and Asian countries a more equal opportunity at obtaining visas for entry into the United States. But how has this post-1965 immigration system changed the economic characteristics of the foreign-born population in the United States and how has this change affected the American economy? Through a comparative analysis of pre- and post-1965 immigrants, I attempted to answer these two questions. My analysis utilized a temporal comparative approach while addressing five key economic factors: unemployment, labor force participation, poverty level, total money income, and educational attainment. Ultimately, the economic effects of the post-1965 immigration system were difficult to assess. However, the findings of this research suggest that there are not any significant economic differences between pre- and post-1965 immigration.

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It was a warm summer. A young couple and their three month old baby rode wearily across the United States-Mexico border on a bus. In the old, worn-out seat sat a young man, 19 years old and full of hope. Next to him, his wife, a 20 year old curly haired woman whose eyes were still filled with sorrow from having left her family behind. And in her lap, was me.

In 1994 my parents immigrated to the United States from Monterrey, Mexico with nothing more than a diaper bag and a suitcase. For two people who held their family so close, it was a difficult decision. And yet, they felt that the only real chance their new family had at success was in the United States, a country that prided itself in giving its people the opportunity to live out the “American Dream.”

The adversities my family faced as first generation immigrants are difficult to forget. When I started school I did not know English and was consequently separated from the rest of my classmates. My mother who also struggled with the language, continues to face discrimination to this day. However, my family has faced economic hardship as well.

Moving to a new country at such a young age, without a proper understanding of the laws and the culture, it would be several years before my parents would become financially stable. My father, without a college education, would go on to work a variety of jobs until he was able to settle into his role in media. He would walk to work for three years before being able to afford his first car and although the car did not have air conditioner and the windows were unable to come down, it was something he was proud of. My mother, having sacrificed her career as a

pilot, would go on to become a stay at home mom to take care of me and my two younger brothers, something I have always been thankful for.

Had my family immigrated prior to the passing of the Hart-Cellar Act of 1965, we would most likely have not been given the opportunity to enter the United States. For all intents and purposes, the pre-1965 immigration system limited the variety of immigrants entering the United States through the national origins quota system, a system that heavily favored immigration from European nations. However, through the implementation of the Immigration and Nationality Act of 1965, the quota system was eliminated and the door was opened to migrants from around the world, including my family.

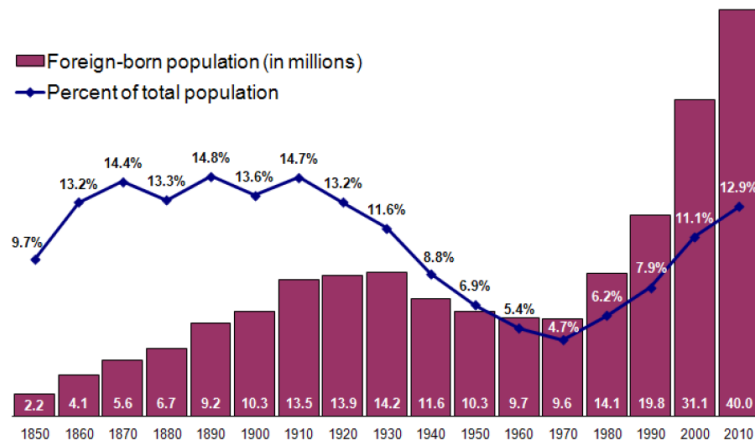
## Chapter One: An Overview of American Immigration

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The population in the United States has changed significantly over the last 40 years. In fact, by the year 2013, 41.3 million people in the United States were identified as having immigrated to the country.<sup>1</sup> Figure 1.1 provides a more comprehensive overview of the percentage of the foreign-born population relative to the total population from 1850 to 2010. The data show that from 1910 to 1970 the United States was experiencing a decline in the presence of the foreign-born population. This decline correlates to a time in America when the government attempted to regulate immigration through strict exclusions and a quota-based system.

**Figure 1.1**

**Foreign-Born Population and Percentage of Total Population, for the United States: 1850 to 2010**



Source: U.S. Census Bureau, Census of Population, 1850 to 2000, and the American Community Survey, 2010.

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<sup>1</sup> <http://www.migrationpolicy.org/article/frequently-requested-statistics-immigrants-and-immigration-united-states>

However, as Figure 1.2 demonstrates, this decline also occurs during the presence of several economic and political issues such as the Great Depression and World Wars I and II. By taking an unfavorable international, domestic, and political environment, as well as the rational choice theory into consideration, we can assume that the decline in immigration during this time period is a result of the perceived reduction of benefit in migrating to the United States in addition to a perceived increase of benefit in remaining in one's home country.

But what is the rational choice theory and what does it have to do with immigration? An important component in the process of immigration lies within individuals making the initial decision to emigrate. Rational choice theory assumes that people behave rationally – maximizing benefits and reducing cost. Potential immigrants are no exception. When individuals consider immigrating to a new country they will take part in a decision making process, weighing the costs and benefits of leaving their country and acting in accordance with the best possible outcome. On average, those who conclude that the benefits of immigrating outweigh the cost, make up the migration flow. In this equation, the benefits of immigration can include a variety of factors such as the potential for an increase in income and job opportunities, a stable political environment, and an education. Meanwhile, the cost of immigration can include factors such as the physical cost of traveling to a new country, loss of money from the time spent unemployed when traveling to and arriving in a new country, leaving family members behind, and any penalties or restrictions that countries may place on immigrants. “Potential host countries are capable of encouraging, discouraging, or preventing the entry of certain groups of persons,” therefore, potential immigrants will take into consideration the relative difficulty, as determined by governmental policies, of entering the host country (Borjas 10). In the United States for example, the Immigration Act of 1965 established a preferences system for the allocation of



visas and created procedures that remain a strong determining force in the admittance of immigrants into the United States. Therefore, as the decision making process of emigrating to the United States continues to occur, it is the current system, created by the Immigration and Nationality Act of 1965, that is taken into consideration in a potential immigrant's cost-benefit analysis.

**Figure 1.2**



Source: <http://www.loc.gov/teachers/classroommaterials/presentationsandactivities/presentations/immigration/timeline.html>

From 1970-2010, the presence of the foreign-born population demonstrated clear and steady growth. This increase correlates with the implementation of the Immigration Act of 1965 on July 1, 1968 which liberalized the American immigration system by eliminating the national origins quota system and establishing a preferences system. Immigrants come to the United States for a variety of reasons including family reunification, work, a better life, and to escape oppression, violence, and natural disasters in their countries of origin (Grigorenko 18). However, it is only because of the Immigration Act of 1965, the backbone of our immigration system, that it is possible for a majority of these immigrants to come into the United States legally.

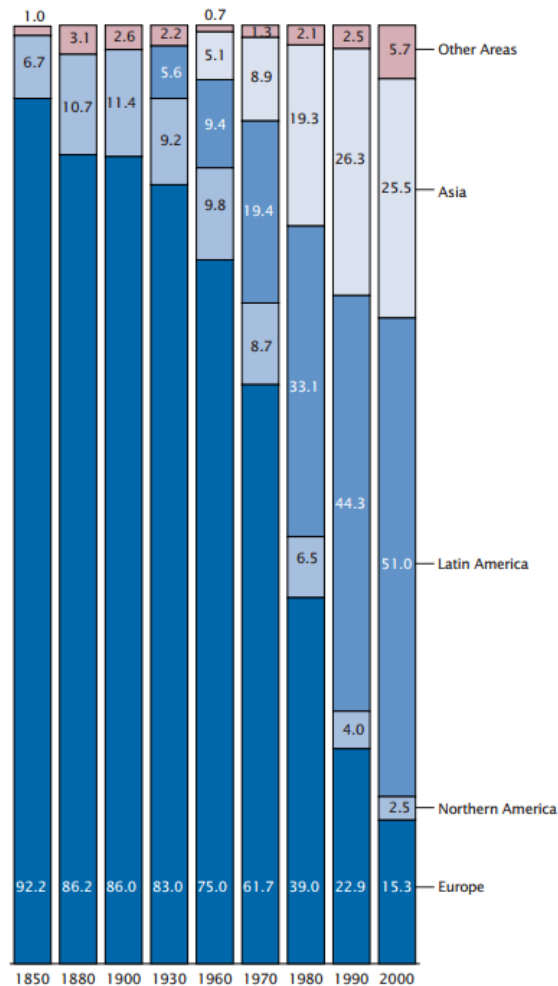
This idea can be better understood through the data shown in Figure 1.3. This figure allows us to determine the distribution of the foreign-born population in the United States by the region of birth. By the year 1930 we start noticing a gradual decline in immigrants of European

origin. However, between the years 1960 and 1970 there is a significantly larger decline in the percent distribution of European immigrants. This decline is a result of explicit immigration

**Figure 1.3**

**Foreign-Born Population by Region of Birth:  
Selected Years, 1850 to 2000**

(Percent distribution. For 1960-90, resident population. For 2000, civilian noninstitutional population plus Armed Forces living off post or with their families on post)



Source: U.S. Census Bureau, 2001, Table 2 and Table 1-1.

policy decisions implemented with the passing of the Immigration Act of 1965 which abolished the national origins quota system. In doing so, the Act of 1965 provided immigrants of Latin American and Asian countries a more equal opportunity at obtaining visas for entry into the United States. Ultimately, a consistent increase in the total foreign-born population and in the Latin American and Asian foreign-born population shortly after 1970, leads us to conclude that the Immigration Act of 1965 was a pivotal point in our immigration system that changed the face of immigration.

### *My Analysis*

Given the information presented above, it is evident that the Immigration and

Nationality Act of 1965 was a major turning point in U.S. immigration policy. We can therefore usefully categorize immigration into the United States as pre- and post-1965. In doing so, we see the 1965 Act as a breaking away point from past immigration policy.

After 1965, a variety of changes in the characteristics of immigrants entering the country are manifested. For example, Elena Grigorenko (2012) claims that the establishment of a family-driven national preferences system for the allocation of visas created a system in which “immigrants are concentrated on the opposite ends of the educational and occupation continuum” (30). While George Borjas (1990) claimed that the “de-emphasis of skills in the awarding of entry permits” has resulted in a substantial change in the economic impact of immigration (32). Consequently, the changes created by the Act of 1965 are not believed to be limited to racial and ethnic changes.

This brings me to the interest of my research: the economic significance of the system created in 1965. Through a comparative analysis of pre- and post-1965 immigrants, I seek to answer two questions: 1) Do post-1965 immigrants have different economic attributes than those of pre-1965? 2) If so, how do these changes impact the American economy? My hypotheses are: H1: Because of the predominance of family reunification in the post-1965 immigration system, I think that post-1965 immigrants will display higher rates of unemployment, and percentage of people living below poverty level, and lower rates of post-secondary educational attainment. H<sub>0</sub>: There will not be any significant economic differences between pre- and post-1965 immigrants. H2: Changes observed in post-1965 immigrants will yield a small positive net impact on the American economy due to an increase in the number of working-age immigrants entering the United States contributing to the labor force participation rate as well the overall increase in the population which will generate more supply and demand. This will off-set other factors such as the increase in unemployment rates and people living below poverty level. H<sub>0</sub>: Changes among post-1965 immigrants yield no significant positive or negative economic impact.

To begin, I will address some of the literature as it pertains to immigration and its economic impact. While no literature, to the best of my knowledge, offers a contemporary comparative analysis of pre- and post-1965 immigration, a few fledgling theories on the evaluation of the economic impact of immigration will be analyzed below.

### ***Assessing Economic Impact***

A majority of the literature appears to employ the effects of immigration on wages as the primary focus of their research. George Borjas (2013), Daniel Costa *et al.* (2014), Heidi Shierholz (2010), and Gianmarco Ottaviano and Giovanni Peri (2008) go on to track the correlation between education, age, and the effect on wages.

Their findings provide us with a range of possible conclusions. Recent work by Borjas, the leading immigration economist in the United States, suggests that by categorizing workers by education level and age, “groups over time show that a 10 percent increase in the size of the group due to the entry of immigrants, reduces the wage of native-born men in that group by 3.7 percent and the wage of all native-born workers by 2.5 percent” (Borjas 2). Ottaviano and Peri (2008) claim that by taking capital adjustment into consideration, “the negative effect of immigration on wages (-0.7% for workers with no high school degree) is modest even in the short run” (40). Despite this disagreement between Ottaviano, Peri, Shierholz, Costa *et al.*, and Borjas, there appears to be an overall consensus between Ottaviano, Peri, Costa *et al.*, and Shierholz that immigration creates an “average negative effect on the wages of previous immigrants” and a “positive long-run effect on native wages” (Ottaviano and Peri 40). Borjas’ finds himself at odds with Ottaviano, Peri, Costa *et al.*, and Shierholz by claiming that although “immigration makes the aggregate economy larger...there is little evidence indicating that

immigration creates large net gains for native-born Americans” and despite having a relatively small net impact on natives, the wage losses or income gains to natives may still be substantial (3).

Before we go on to look at the individual themes present in the literature, it is important to touch on the logic behind the idea that immigration has any sort of impact on things like the income and unemployment rate of natives. There are two competing perceptions when it comes to explaining the impact of immigrants on the native workforce. The first claims that immigrants introduce competition into the labor market and in fact, displace native workers from their jobs. In doing so, we see a decrease in income and employment rates of natives. While this hypothesis is hardly supported by any substantial quantitative data, it is based on three major assumptions: 1) Native workers are interchangeable with immigrant workers 2) The total number of available jobs in the labor force is fixed 3) Immigrants are willing to offer their skills for a lower price to employers compared to natives which in turn alters the perceived cost-benefit relationship that exists between the three. However, the second hypothesis claims that immigrants interact with natives in a way that increases income and employment rates among the native workforce. This too is based on the individual assumptions that 1) Native and immigrant workers complement each other in terms of skills and 2) Any increase in population, be it from immigration or not, will increase demand for various goods and services which in turn will lead to an overall expansion in the labor market to satisfy the growth in demand.

### ***Positive Economic Impact***

Julian Simon’s work aims to study all of the “important economic mechanisms by which immigrants affect natives,” excluding both the effects on other immigrants as well as refugees

and undocumented immigrants (10). His analysis of education, income, labor-force participation, unemployment, self-employment, welfare participation, etc. concludes that immigrants provide a positive impact on the economy of the United States. However, this impact is only evident over time and, ultimately, it is the “time horizon” through which the data is applied that affects our conclusion (368).

Simon’s argument is supported by data collected through the Pew Research Center, the U.S. Census Bureau, and other researchers. In one of Simon’s tables for example, the data show that second generation immigrants (natives with either one or two foreign-born parents) in 1970 had between 2 – 4 percentage points higher labor force participation than first generation immigrants (64). At another point, Simon states that “within 3-5 years after entry, immigrant family earnings reach and pass those of the native family,” which in turn has a positive economic impact on the American economy through increased tax contributions (368).

Simon’s work is additionally supported by Augustine Kposowa’s (1998). Kposowa, utilizing data on earnings, socioeconomic attainment, occupational prestige, industrial sector, unemployment, and economic dependence, concludes that: 1) Immigrants’ earnings increase the longer they have lived in the U.S. and 2) Unemployment levels of immigrants decrease the longer they have been in the U.S. According to Kposowa, these conclusions, among others, “imply that immigration may to some extent constitute an economic asset to the United States [overtime]” (169).

Kposowa and Simon agree that on some level immigration is beneficial for the country. Benefits may include “increases in native earnings, native socioeconomic status, native industrial sector and considerable decreases in native unemployment” (Kposowa 178). Furthermore, both Kposowa and Simon suggest that future immigration policy should be directed towards a greater

selectivity of immigrants with a priority on labor market interests rather than family reunification (Kposowa 178). This implies that the Immigration policy created in 1965, may inhibit us from realizing an even larger positive economic impact from immigration. While assessing the validity of this statement is hardly plausible, my paper will analyze data over a prolonged period of time with a strong focus on the effects of the immigration system itself, which may provide more insight into some of the claims and assumptions that Kposowa and Simon make.

### ***Negative Economic Impact***

George Borjas (1990), nevertheless, claims that due to the system established in 1965, the country is attracting more unskilled immigrants. This increase, is accompanied by lower levels of education, employment, and income, as well as higher rates of poverty and welfare participation among those entering (219). Additionally, although Borjas acknowledges that immigrants do not have a substantial impact on the earnings and employment of natives, he claims that these higher rates of poverty and welfare participation impose costs on the American economy overtime (19).

The trends identified by Borjas show a deterioration in the positive economic impact of immigrants. For instance, immigrants in 1940 worked an average of 100 hours less (per year) than natives. However in 1980, immigrants worked an average of 300 hours less. Another instance is that of labor force participation. According to Borjas, it was the 1965 amendments that caused the labor force participation of immigrants to drop from 3 to 6 points below that of natives in 1980 (51).

Given Borjas' conclusions, Kposowa and Simon's suggestion of opting for a more skill-inclined preference system appear to be justified. If such is the case, we would expect to see a sustained decline of labor force participation, employment, and household income among

immigrants post-1965 (compared to those of pre-1965) due to the difficulty of finding a good job without substantial skill. However, Borjas' analysis utilizes data from the 1980's. As Kposowa mentions, just prior to the 1980's, America experienced a mild recession which created an environment of low productivity, high unemployment, and reduced profit; making it relatively difficult for any worker to contribute in a positive manner. Therefore, it is possible that Borjas inadvertently provides misconstrued data of post-1965 immigrants due to the condition of the economy during the time his data was collected.

### ***No Significant Economic Impact***

Finally, another possibility is that immigrants' simply lack a significant impact on the American economy. One presentation of this idea is seen in Simon's work, where he claims that countries do not obtain the same sort of gains from the international movement of people into their country as the immigrants do (366). He further assumes that should we evaluate immigration through a cost-benefit lens, we would see that "shifts due to migration only benefit the migrant" and have no substantial difference on the American economy (19).

To support this, we may take these conclusions that I ran across in my review of the literature into consideration. First, Kposowa's concludes that immigrant status had no significant effect on socioeconomic attainment in 1970 (163). Then in 1980, he finds that immigrants did not use public assistance such as welfare, any more than natives (Kposowa 166). Kposowa also claims that "differences in skill levels have not been translated into major earnings disparities between immigrants and natives" (Kposowa 180). In addition, Borjas concludes that an increase in the number of immigrants has "little effect on the labor force participation rates and employment opportunities of practically all native groups" (19).



During my review of the literature I was unable to perceive a consensus among authors on which economic factors were or were not significantly affected by immigration. However, by aggregating results of different authors, it is suggested that immigrants having no significant economic impact on the U.S. may be a conceivable conclusion for my analysis.

### ***The Plan***

My review of the literature as described above, presents evidence to support three arguments and is therefore somewhat ambiguous: positive impact, negative impact, and no significant impact. However, these three arguments create a means through which we will be able to assess the possible impact of changes in post-1965 immigrants on the American economy. As defined by the literature, economic impact is the “net changes to the economic base of a region that can be attributed to the industry, event, or policy” (Watson et al. 143) Therefore, in analyzing the economic activity prior to and after the establishment of the system created by the Immigration Act of 1965, I hope to determine the economic impact of pre- and post-1965 immigration.

Much like the pieces of literature mentioned above did, one part of my analysis will look into the economic impact of immigrants on the United States’ economy. However, my paper will focus on the differences created by the immigration systems pre- and post-1965. Additionally, unlike the literature above, my analysis will encompass an extended period of time for post-1965 immigration, 1968 through 2014. This, I expect, will give me the opportunity to evaluate consequences of the current immigration system that may not have been apparent in earlier years and to reduce random error among my data.

## ***Methodology***

A major obstacle in my paper will be the difficulty of isolating the effects of post-1965 immigration (more specifically the immigration system) on various economic factors. However, my solution to this problem will be to include what happened when the immigration system had been different, that is to say, pre-1965. As such, I will evaluate this data relative to pre-1965 and post-1965. The time period defined as pre-1965 will include the years 1950-1967, while the post-1965 time period will consist of the years 1968-2014 (this is due to the fact that the Immigration Act of 1965 was not fully implemented until July 1, 1968). Furthermore, in addition to a temporal comparative approach, three of these economic factor will be compared to data from the total population to assess the impact of age. For the purposes of my study, an immigrant will be defined as anyone who is foreign-born, and the term “immigration” will refer to both documented and undocumented immigration.

Within these two time periods, I will analyze five key economic variables: median total money income of households, highest level of education attained, unemployment rate, percentage living below poverty level, and labor force participation rate. This data will be collected through the use of the United States Census Bureau. Once I have compared the results of the two individual time periods to each other, I will then compare the data on total money income, poverty level, and educational attainment to the total population in relation to age cohort. The data on foreign-born unemployment and labor force participation rates will also be supplemented with the annual number of immigrants admitted under employment/skill based visas to consider the relationship between the current family-based system and these two economic factors.

Three of the variables, highest level of education achieved, percentage living below poverty level, and median total money income, will be represented in cohorts. These cohorts will be established by the specific time periods in which the immigrants entered the country. As I briefly mentioned in the previous paragraph, to account for the effect of age, the median age of these individual cohorts will be calculated using Census Bureau data and will be compared to those of the respective age group in the total population. The remaining two variables, labor force participation and unemployment rate will not be presented by cohort due to data availability.

Including these variables is considered an important part of this analysis for a couple of reasons. First, “in today’s economy, graduating from high school college-ready and obtaining a postsecondary degree or credential can mean the difference between a lifetime of poverty and a secure economic future” and thus education and poverty can be considered to be directly linked.<sup>2</sup> Second, we can expect that higher rates of unemployment and people living below the poverty level correlate to a lower level of economic contribution just as a higher rate of labor force participation may equate to a higher level of economic contribution. To elaborate, take for example the idea that critics of the post-1965 immigration system advocate for: immigrants entering through the post-1965 immigration system are less educated than those entering via the pre-1965 system. If we do in fact find this to be true, we can expect that the lower levels of schooling among post-1965 immigrants will result in higher unemployment, lower income levels, and more people living below the poverty level; thus creating a negative impact on the American economy. For that reason, these five variables are all seen as having an effect on the

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<sup>2</sup> [http://www.spotlightonpoverty.org/education\\_and\\_poverty.aspx](http://www.spotlightonpoverty.org/education_and_poverty.aspx)

economic impact of the post-1965 immigration system and will therefore be a necessary part of this analysis.

In the next chapter I will discuss the history of immigration reform in the United States and the context surrounding it. The third chapter will include the presentation of data and its analysis, and the fourth and final chapter will include my conclusions.

## Chapter Two: The History of Immigration Reform in the United States

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The United States' first attempt at regulating immigration into the country can be traced back to the Aliens and Seditions Acts of 1798. Signed by President John Adams, the laws were passed in response to fear of a threat to national security posed by France. In addition to the regulations suppressing acts of domestic protest against the United States government, these laws allowed the federal government to deport any immigrant considered to pose a threat to the wellbeing of the country. Although the Aliens Acts of 1798 were largely unenforced, they provoked public disapproval due to their infringement of citizen's First Amendment Rights. Both acts were allowed to expire in 1800 and 1801<sup>3</sup>.

The early 1800's were a relatively uneventful time period for immigration reform in the United States. Except for the efforts of some northern states that wished to control immigration through "head taxes" (later ruled unconstitutional by the Supreme Court), no other attempts at restricting immigration were made (Borjas 27). However, in the 1870's a significant shift in public opinion occurred due to the influx of Chinese immigrants who had begun to immigrate to the United States in search of jobs. Social and economic tensions between Chinese immigrants and natives grew and eventually, lawmakers imposed restrictions on immigrants.

The first of these restrictions were passed in 1875 and denied prostitutes and convicts entry into the United States (Borjas 27). In 1879, the 46<sup>th</sup> Congress passed legislation limiting the number of Chinese immigrants entering the United States to "fifteen per ship." President Rutherford B. Hayes vetoed the legislation as unconstitutional. However, to please constituents

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<sup>3</sup> <http://www.ushistory.org/us/19e.asp>

who favored exclusion, Hayes asked China for a modification of the Burlingame-Seward Treaty which alleviated restrictions on immigration and represented an attempt by the Chinese to limit American interference in their internal affairs. Under the government appointed diplomat James B. Angell, both nations eventually agreed to place a limit on immigration to the United States. The treaty resulting from Angell's negotiations came to be known as the Chinese Exclusion Act of 1883 and became the first legislation to place wide restrictions on immigrants entering the United States.<sup>4</sup> The Act allowed the United States to "restrict, but not completely prohibit, Chinese immigration".<sup>4</sup> Per the terms of the treaty, the immigration of both skilled and unskilled Chinese workers was suspended for 10 years and individuals traveling into or out of the United States were required to carry documentation that identified them as either laborers or non-laborers.<sup>4</sup> Domestic attitudes ultimately pressed the United States to take exclusion further through the Scott Act in 1888. The Scott Act made it impossible for Chinese immigrants to reenter the United States after visiting China regardless of their resident status. Amidst heavy Chinese disapproval, the Exclusion Act was extended indefinitely in 1902.<sup>4</sup>

By 1917, restrictions to U.S. immigration had grown to include people with tuberculosis, polygamists, political radicals, and nearly all immigrants born in Asia (Borjas 27). As these restrictions were taking place, changes in the composition of European immigrants shifted. Due to a culmination of economic and political factors such as World War I, immigrants coming into the United States changed from Northwestern European origin to Southern and Eastern European origin and Americans found themselves struggling with the idea of supposedly "unintelligent" and "unproductive" European immigrants entering the United States. To address the public's opinion, lawmakers turned to creating and implementing a number of laws designed to maintain

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<sup>4</sup> <https://history.state.gov/milestones/1866-1898/chinese-immigration>

the ethnic composition of the country, these laws came to be known as the “national origins quota system” (Borjas 28).

Introduced in the Emergency Quota Act of 1921, the United States’ national origins quota system persisted between 1921 and 1965. In addition to establishing a total immigration cap of 357,000, the Act of 1921 specified that no more than “3 percent of the total number of immigrants from any specific country already living in the United States in 1910 could migrate to America during any year”<sup>5</sup>. Given that the majority of Americans traced their national origins to Northwestern European nations, places like the United Kingdom, Germany, Italy and Russia were allotted more than seventy-five percent of the available visas. Three years later, in 1924, the Johnson-Reed Act affectively amended the numerical limits set forth by the Quota Act of 1921 and required that “quotas be calculated based on 2 percent of each nationality’s proportion of the foreign-born U.S. population in 1890, as indicated in the 1890 census” for three years (164,667 total immigration cap) (Migration Policy Institute 3). “After July 1, 1927, the total quota was fixed at 150,000 annually, to be distributed among the different quota nationalities in the proportions according to the number of the original nationality as counted in the census of 1920” (Douglas 938). The Act of 1924 was enforced primarily through the Consular Control System which it itself had established. This system, which allowed the U.S. State Department and the Immigration and Naturalization Service to share control of immigration, mandated that immigrants who wished to obtain a visa to enter the United States must do so through the American consular office in their home country<sup>6</sup>.

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<sup>5</sup> <http://immigrationtounitedstates.org/589-immigration-act-of-1921.html>

<sup>6</sup> [http://www.digitalhistory.uh.edu/disp\\_textbook.cfm?smtID=3&psid=1116](http://www.digitalhistory.uh.edu/disp_textbook.cfm?smtID=3&psid=1116)

By 1925 the consequences of the strict limits set forth by the national quota system were already becoming apparent. By using earlier census data, southern and eastern Europeans, who had immigrated to the United States predominately at the beginning of the 20<sup>th</sup> century, were largely excluded. Additionally, the United States began to experience an increase in the number of those attempting to enter the country illegally. In response, the United States government “passed the Labor Appropriation Act of 1924, officially establishing the U.S. Border Patrol for the purpose of securing the borders between inspection stations”<sup>7</sup>. The Patrol’s capability and effectiveness remained fairly constant until the 1940s, when the Immigration Service was moved to the Department of Justice<sup>7</sup>.

For all intents and purposes, the national origins quota system preserved American homogeneity. By 1952, the quota system was so entrenched into the American immigration system that few considered removing it. In fact, the Immigration and Nationality Act of 1952 reaffirmed the quota system as well as expanded the list of characteristics that could be used to exclude potential immigrants. However, the Act of 1952 did bring about some positive change to the strict American immigration system. The law ended the last “existing measure to exclude Asian immigration, allotted each Asian nation a minimum quota of 100 visas a year, and eliminated laws preventing Asians from becoming naturalized American citizens”<sup>6</sup>. Additionally, the Immigration Act of 1952 established the foundation of a preferences system for allocating visas. This system allowed for half of the visas available to go to those immigrants with skills that American consuls believed were “needed urgently” in the United States (Borjas 29).

However, in the late 1950’s, growing civil rights sentiments began to seep into Washington D.C. During this time, the civil rights movement “sought to end racial segregation in

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<sup>7</sup> <http://www.cbp.gov/border-security/along-us-borders/history>



the United States and make social discrimination by race illegitimate”.<sup>8</sup> In 1957 the first civil rights legislation passed in almost 100 years was enacted, proceeded by another three pieces of legislation in 1960, 1964, and 1965.

The same year the Civil Right Act of 1964 passed, Attorney General Robert F. Kennedy declared: “Everywhere else in our national life, we have eliminated discrimination based on one’s place of birth. Yet this system is still the foundation of our immigration law.”<sup>8</sup> Thus, as an extension of the civil rights movement, the liberalization of American immigration policy was realized in 1965 when the 89<sup>th</sup> Congress looked to amend the existing 1952 immigration policy which continued to retain the national origins quota system. The link between the civil rights movement and the Immigration Act of 1965 was undeniable, as California Representative Phillip Burton stated:

"Just as we sought to eliminate discrimination in our land through the Civil Rights Act, today we seek by phasing out the national origins quota system to eliminate discrimination in immigration to this nation composed of the descendants of immigrants." (*Congressional Record*, Aug. 25, 1965, p. 21783).<sup>9</sup>

The Immigration Act of 1965 (Hart-Cellar Act) was not only proposed to end racial and ethnic discrimination within the United States, but it also served as a response to the Cold War politics taking place during that period.<sup>4</sup> Cold war national-security fears pressured the United States to end the national origins quota system which put the country at risk for “losing support from Third World countries whose people were excluded”.<sup>8</sup> Additionally, lawmakers were troubled over the idea of competing with communist states and believed that a more open

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<sup>8</sup> <http://www.migrationpolicy.org/article/geopolitical-origins-us-immigration-act-1965>

<sup>9</sup> <http://cis.org/1965ImmigrationAct-MassImmigration>

immigration policy would reflect well on the character of the United States overseas.<sup>10</sup> For instance, Vice President Hubert H. Humphrey claimed that “existing immigration law stood in contrast to the growth of refugee legislation aimed at forming international linkages and having the respect of people all around the world.”<sup>11</sup>

Signed into law on October 3, 1965, the Immigration Act of 1965, is seen today as having established the fundamental structure of the current immigration system despite the amendments made to it since its implementation. The law re-formed preference categories, and widened family reunification opportunities such that relatives of American citizens were given higher priority than immigrants with important job skills. The preference system for visa admissions detailed in the law (later modified in 1990) were as follows: 1) Unmarried adult sons and daughters of U.S. citizens 2) Spouses and unmarried children of permanent resident aliens 3) Members of the professions, scientists, and artists of exceptional ability 4) Married children of U.S. citizens 5) Brothers and sisters of U.S. citizens over the age of twenty-one 6) Skilled and unskilled workers in occupations for which there is insufficient labor supply 7) Refugees given conditional entry or adjustment 8) Applicants not entitled to preceding preference.<sup>11</sup>

Arguably more significant than the re-form of the preference system however, the Hart-Cellar Act of 1965 abolished the previous national origin quota system that had proven so beneficial for Northwestern European immigrants. The Act replaced the quota system with provisions that allocated 170,000 total visas to countries in the Eastern hemisphere while countries in the Western hemisphere were allocated 120,000 visas – increasing the total annual ceiling from 150,000 to 290,000. The annual limit of 120,000 visas for the Western hemisphere was the first numerical limit set on the area and a direct product of strong concern among

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<sup>10</sup> <http://immigrationtounitedstates.org/594-immigration-and-nationality-act-of-1965.html>

<sup>11</sup> <http://cis.org/1965ImmigrationAct-MassImmigration>

Americans that the policy would lead to significant changes in immigration demographics. Individually, countries in the Eastern hemisphere were granted up to 20,000 visas while in the Western hemisphere, individual countries were not subject to a per-country limit. Additionally, non-quota immigrants such as spouses, minors, and parents of U.S. citizens under 21, were not counted either towards the hemispheric or the individual country limits.<sup>11</sup> Table 2.1 summarizes the annual limits set forth by the Immigration Act of 1965.

**Table 2.1**

	<i>Eastern Hemisphere</i>	<i>Western Hemisphere</i>
<i>Annual Ceiling:</i>	170,000	120,000
<i>Per Country Allotment of Visas:</i>	20,000	No per-country limit

Source: [www.cis.org/1965ImmigrationAct-MassImmigration](http://www.cis.org/1965ImmigrationAct-MassImmigration)

Architects of the Hart-Cellar Act did not see the law of 1965 as a means to considerably change the flow of immigration; instead it was considered as a symbolic act, and a means through which the United States would gain the respect of people abroad.<sup>9</sup> In one instance, Senator Edward Kennedy (D-MA) stated:

“The bill will not flood our cities with immigrants. It will not upset the ethnic mix of our society. It will not relax the standards of admission. It will not cause American workers to lose their jobs.”(*U.S. Senate, Subcommittee on Immigration and Naturalization of the Committee on the Judiciary, Washington, D.C. Feb 10, 1965. pp 1-3.*)<sup>9</sup>

However, some times the impact of legislation is not the same as which it was intended for. The Immigration Act of 1965 ushered in a new age of immigration that carried with it a significant shift in the national origin of immigrants. As was demonstrated in Figure 1.3 in the previous

chapter, by 1990 immigrants of Asian and Latin American origin comprised 71% of the immigrants entering the United States, while the once predominant European immigrants comprised a mere 23%. Additionally, the emphasis on family reunification in the awarding of visas greatly altered the number of immigrants entering the United States based on their skills (Borjas 32).

After the implementation of the Hart-Cellar Act, five more major pieces of legislation directly impacted immigration into the United States. Due to an overwhelming surge of immigrants, in 1976 amendments to the Immigration and Nationality Act of 1965 applied the 20,000 Eastern hemispheric ceiling to the Western hemisphere. In 1978, amendments to the Act of 1965 aggregated the individual Eastern and Western hemispheric ceilings into one global limit of 290,000. Two years later, the Refugee Act of 1980 brought the 290,000 ceiling down to 270,000 as well as established a flexible annual ceiling able to be determined by the U.S. government on a year to year basis.<sup>12</sup> Then in 1986, the Immigration Reform and Control Act (IRCA) sought to decrease the number of undocumented immigrants entering the country by both increasing the border patrol presence and enforcing sanctions on “employers who knowingly hire or recruit unauthorized immigrants.”<sup>9</sup>

By 1990, concern over the consequences of the direction of immigration policy since 1965 led the way to the Immigration Act of 1990. Signed by President George H.W. Bush, the legislation addressed the growing concern over the increasing dominance of the family reunification program over the skill category. The law increased total immigration to 700,000 per year from 1992-1994 and 675,000 each year after that in order to increase legal immigration. Additionally, annual employment-based immigration increased from 54,000 to 140,000 and a

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<sup>12</sup> [http://www.fairus.org/facts/us\\_laws](http://www.fairus.org/facts/us_laws)

provision for the admittance of "diversity immigrants" from "underrepresented" countries was incorporated into the visa distribution system.<sup>9</sup>

### ***The Act of 1965 and its Connection to the Current System***

In spite of its modifications, the Immigration and Nationality Act of 1965 continues to provide the foundation for our immigration system today. Tables 2.2 and 2.3 show the preferences system in place today. Through a comparison of the preferences set forth by the Act of 1965, it is evident that the policy continues to provide the basic framework for the current immigration system which maintains a preference system with strong family reunification and employment preferences.<sup>11</sup>

**Table 2.2**

<b>Family-Based Immigration System</b>			
<b>Category</b>	<b>U.S. Sponsor</b>	<b>Relationship</b>	<b>Numerical Limit</b>
Immediate Relatives (IRs)	U.S. Citizen adults	Spouses, unmarried minor children, and parents	Unlimited
<b>Preference allocation</b>			
1	U.S. citizen	Unmarried adult children	23,400*
2A	LPR	Spouses and minor children	87,900
2B	LPR	Unmarried adult children	26,300
3	U.S. citizen	Married adult children	23,400**
4	U.S. citizen	Brothers and Sisters	65,000***
* Plus any unused visas from the 4 <sup>th</sup> preference. ** Plus any unused visas from 1 <sup>st</sup> and 2 <sup>nd</sup> preference. ***Plus any unused visas from the all other family-based preferences.			
Worldwide level of family preference allocation: 480,000 minus visas issued to IRs and parolees, plus unused employment-visas from previous fiscal year. Floor for preference categories: 226,000.			

Source: <http://www.immigrationpolicy.org/just-facts/how-united-states-immigration-system-works-fact-sheet>

**Table 2.3**

<b>Permanent Employment-Based Preference System</b>		
<b>Preference Category</b>	<b>Eligibility</b>	<b>Yearly Numerical Limit</b>
1	“Persons of extraordinary ability” in the arts, science, education, business, or athletics; outstanding professors and researchers, some multinational executives.	40,000*
2	Members of the professions holding advanced degrees, or persons of exceptional abilities in the arts, science, or business.	40,000**
3	Skilled workers with at least two years of training or experience, professionals with college degrees, or “other” workers for unskilled labor that is not temporary or seasonal.	40,000*** “Other” unskilled laborers restricted to 5,000
4	Certain “special immigrants” including religious workers, employees of U.S. foreign service posts, former U.S. government employees and other classes of aliens.	10,000
5	Persons who will invest \$500,000 to \$1 million in a job-creating enterprise that employs at least 10 full time U.S. workers.	10,000
*Plus any unused visas from the 4 <sup>th</sup> and 5 <sup>th</sup> preferences. **Plus any unused visas from the 1 <sup>st</sup> preference. ***Plus any unused visas the 1 <sup>st</sup> and 2 <sup>nd</sup> preference.		
Worldwide level of employment-based immigrants: 140,000 for principal applicants and their dependents.		

Source: <http://www.immigrationpolicy.org/just-facts/how-united-states-immigration-system-works-fact-sheet>

The Hart-Cellar Act established a new period of mass immigration into the United States. Since its implementation, “more than 18 million legal immigrants” have entered the country.<sup>11</sup> Additionally, due in part to the preferences system in place and the removal of the national origins quota system, immigrants generally have characteristics differing from those who entered pre-1965. In the following chapter we will take a look at the data on key economic variables and assess the economic significance of the Immigration and Nationality Act of 1965.

## Chapter Three: The Economic Characteristics of the Foreign-Born Population

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*"The land flourished because it was fed from so many sources-because it was nourished by so many cultures and traditions and people."  
-President Lyndon B. Johnson*

In the previous chapter I talked about the history of immigration reform in the United States and the circumstances surrounding the implementation of various pieces of legislation. Additionally, we focused on the landmark piece, the Immigration and Nationality Act of 1965 and its relevance to the contemporary immigration system. In this chapter I will present the data collected through the U.S. Census Bureau and analyze its significance.

### ***Unemployment***

The first attribute I will be discussing are the rates of unemployment for immigrant and native-born Americans. However to assess the significance of the data I will first discuss the impact that the rate of unemployment has on the United States.

The rate of unemployment has long been understood to serve as an important indicator of the state of the American economy. According to the Bureau of Labor Statistics, "people are classified as unemployed if they do not have a job, have actively looked for work in the prior 4 weeks, are currently available for work [and] all those who were not working and were waiting to be called back to a job from which they had been laid off."<sup>13</sup> While this definition excludes individuals who desire a job but have given up on their search, the consistency of this definition

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<sup>13</sup> [http://www.bls.gov/cps/cps\\_htgm.htm#unemployed](http://www.bls.gov/cps/cps_htgm.htm#unemployed)

since the Current Population Survey's beginning in 1940, provides uniformity to the data collected.

Perhaps one of the most obvious consequences of unemployment is an individual's loss of wages and their reduced living standards. Yet collectively, the consequences are also visible at the national level. Those who are unemployed have a reduced contribution to the economy as their taxes, purchasing power, and production of goods and services diminish. This results in a system where those who are unemployed keep money out of the government and the probability of an unemployment cycle arising in the economy and across generations exists. This cycle is brought about through a decrease in spending. Although the impact may seem insignificant during periods with lower unemployment rates, when unemployment rate is high, reduced spending equates to less money going into the economy and more workers being laid off to compensate. In turn, this results in an even further reduction in spending.

Another consequence of high unemployment rates is the increase in the rate at which individuals seek government assistance programs and as a result, the increase in state and federal spending. By meeting certain criteria, those who have become unemployed are eligible for unemployment benefits. These "are part of an employer-paid program that provides temporary, partial income replacement to qualified individuals who are unemployed through no fault of their own".<sup>14</sup> Unemployed Americans may receive state benefits for up to five months, after which they must transition into a federal program. In 2012, the Congressional Budget Office reported that "state and federal unemployment [benefits] have cost roughly \$520 billion" over the last five years.<sup>15</sup> Other individual consequences include, increase in rates of bankruptcy, foreclosures, and

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<sup>14</sup> <http://www.twc.state.tx.us/jobseekers/basics-unemployment-benefits>

<sup>15</sup> <http://money.cnn.com/2012/11/29/news/economy/unemployment-benefits-cost/>



debt which collectively may harm the American economy by reducing home values, and decreasing the rate at which loans are obtained due to higher interest rates.

### *Data on Unemployment*

The data used in my analysis were collected through both the Bureau of Labor Statistics and the Historical Statistics of the United States Databases. The data from 2006 to 2014 was obtained through the Bureau of Labor Statistics' collection of Current Population Survey data (CPS). For the data from 1950-1997, I utilized the Historical Statistics of the United States (HSUS) due to the limited availability of data for that time period. However, HSUS' data is collected from the U.S. Census Bureau's CPS as well and therefore, the operationalization of unemployment is consistent to that of the data collected through the Bureau of Labor Statistics.

The CPS, which is administered under the supervision of the United States Census Bureau, are surveys that are conducted every month from a sampling frame of 60,000 households. The sampling frame is specifically chosen to be representative of the country's population. As such, every month 25% of the households are changed.<sup>13</sup> While my research is itself unobtrusive, the method of data collection by the Census Bureau must still be addressed. The Bureau of Labor Statistics states:

“Each month, highly trained and experienced Census Bureau employees contact the 60,000 eligible sample households and ask about the labor force activities (jobholding and job seeking) or non-labor force status of the members of these households during the survey reference week (usually the week that includes the 12th of the month). These are live interviews conducted either in person or over the phone. During the first interview of a household, the Census Bureau interviewer prepares a roster of the household members, including key personal characteristics such as age, sex, race, Hispanic ethnicity, marital status, educational attainment, veteran status, and so on. The information is collected using a computerized questionnaire.”<sup>11</sup>

Of additional importance to this research is the definition of foreign-born in the CPS. According to the Census Bureau, the foreign-born population includes persons who “entered with immigrant visas, or as spouses or children of immigrants; were admitted in a refugee status; entered with student, work, or long term business visas; entered the U.S. with non-immigrant visas and overstayed; entered the U.S. without documents”.<sup>16</sup>

Table 3.1 presents the rates of unemployment for foreign-born and native-born workers in the United States from 1950 to 2014. Note that the data contain a gap between 1997 and 2006. Although the CPS was conducted during this time period, the data are unavailable. The foreign and native-born populations showed similar trends in unemployment throughout the span of 64 years. In the pre-1965 time period, natives expressed a higher rate of unemployment than the foreign-born. Additionally, during this time the unemployment rates between the foreign and native-born in the United States showed some of the largest differences. Before the Immigration Act of 1965, immigrants were admitted to the United States on a variety of exclusions. However between 1950 and 1968, immigrants that were considered to have skills or occupation of necessity to the United States, were heavily favored. Therefore, unemployment among the foreign-born population was necessarily lower than that of the native-born due to the methods of visa allocation.

For several years after the implementation of the Immigration Act of 1965 the foreign-born unemployment rate continued to be lower than the native despite the changing demographics of immigrants entering the country – a pattern that may have been a result of the prolonged effects of the immigrants who had entered prior to the Act of 1965. It was not until the 21<sup>st</sup> century that natives began closing the gap on unemployment rates. From 2006 to 2007, the

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<sup>16</sup> <https://www.census.gov/population/www/documentation/twps0022/twps0022.html>

differences had been reduced and by 2008, the unemployment rate of immigrants and natives was reported to be the same. Then, the three year time period from 2009-2012 demonstrated that the unemployment rate of immigrants was now higher than that of natives – only to fall back down in 2013. Although both foreign and native-born workers demonstrated similar trends during this time, an increasing unemployment rate among the foreign-born population correlates to a surge of undocumented immigrants entering the country. In 2008, estimates put the number of undocumented immigrants at 11.78 million, an increase from the 10 million estimated in 2006.<sup>17</sup> This connects a growing undocumented immigrant population with rising unemployment rates among the foreign-born population.

**Table 3.1** Foreign vs. Native-Born Rate of Unemployment from 1950-2014

<b>Year</b>	<b>Unemployment Rate (Foreign-Born)</b>	<b>Unemployment Rate (Native)</b>	<b>Foreign Born – Native</b>
1950	4.9	5.5	-0.6
1960	5.7	7.1	-1.4
1970	4.7	5.8	-1.1
1980	7.1	8.8	-1.7
1990	8.1	9.4	-1.3
1997	7.2	8.6	-1.4
2006	4.0	4.7	-0.7
2007	4.3	4.7	-0.4
2008	5.8	5.8	0.0
2009	9.7	9.2	+0.5
2010	9.8	9.6	+0.2
2011	9.1	8.9	+0.2
2012	8.1	8.1	0.0
2013	6.9	7.5	-0.6
2014	5.6	6.3	-0.7

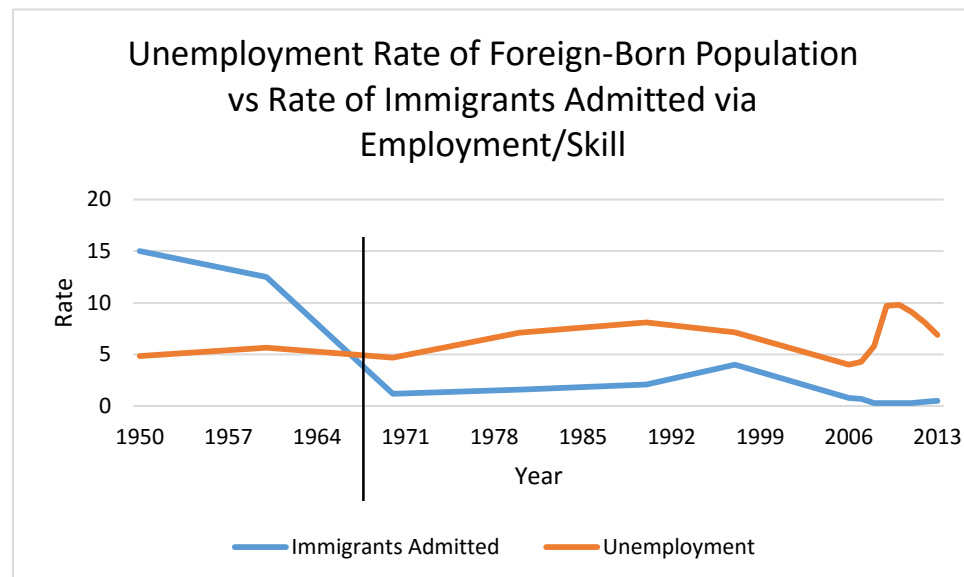
Source: U.S. Census Bureau Current Population Surveys

Critics of immigration policy claim that the preferences system in place today is the reason for the increase in unemployment rates of immigrants. They claim that the preferences system, constructed by the Immigration Act of 1965, has placed a greater emphasis on family

<sup>17</sup> <http://immigration.procon.org/view.resource.php?resourceID=000844>

reunification than that of employment based visas and consequently hindered the immigrant workforce. However, according to the data in Table 3.1, immigrants have not demonstrated a significant change in pre- and post-1965 unemployment rates. To further assess the validity of this claim, I compared the rate of immigrants admitted to the United States through employment or skill-based visas from 1950-2013 to that of the respective annual foreign-born unemployment rate in Figures 3.1 and 3.2.

**Figure 3.1**

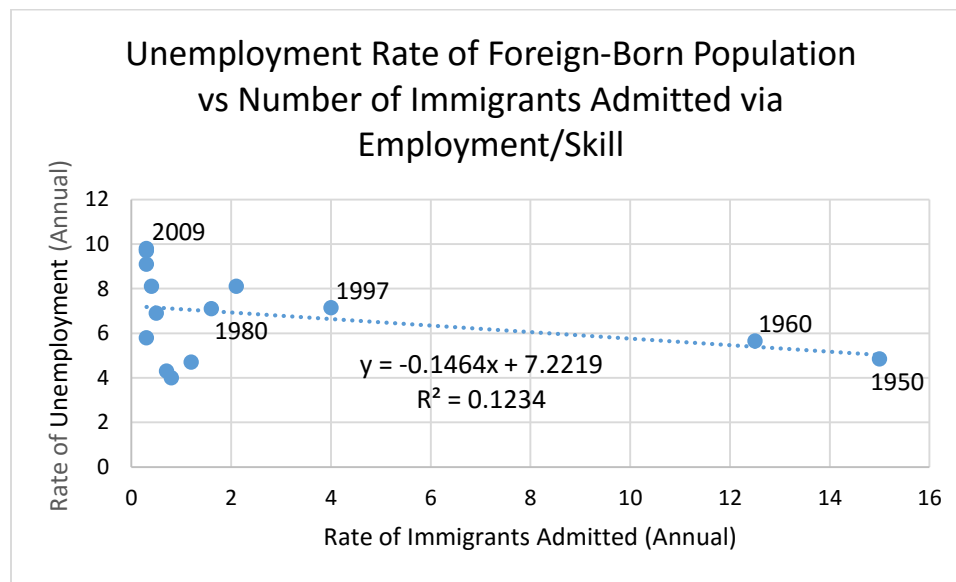


Source: U.S. Census Bureau and Department of Homeland Security

Note: The black line between 1964 and 1971 demonstrates the implementation of the Immigration Act of 1965 in 1968.

The data show an inverse relationship between the rates of employment or skill based immigrants admitted into the United States and the rate of unemployment of the foreign-born population. However, since the implementation of the Immigration Act of 1965, the unemployment rate of the foreign-born population does not demonstrate significant changes despite the limitations on employment based visas put in place.

**Figure 3.2**



Source: U.S. Census Bureau and Department of Homeland Security

Note: Rate of immigrants admitted refers to the rate of immigrants admitted into the United States on a yearly basis via employment/skill based visas. Rate of unemployment refers to the annual foreign-born unemployment rates.

Figure 3.2 demonstrates the same data as Figure 3.1, however it is presented in a linear regression to determine variance. The pre- and post-1965 data points are divided into opposite sides of the graph showing clear differences in unemployment and skill/employment based immigration rates between the two time periods. Pre-1965 immigrants have generally lower unemployment rates and higher rates of immigrants admitted via employment/skill based visas while post-1965 immigrants appear to for the most part have higher rates of unemployment and lower rates of employment/skill based visas allocated per year. Nevertheless, r squared in this regression is 0.1234, explaining only approximately 12.3% of the variation. Therefore, it is difficult to conclude that this model explains the variability of the data. As such, the number of immigrants admitted via employment/skill based visas does not appear to influence the foreign-born unemployment rate as predominately as previous literature has suggested.

### ***Labor Force Participation***

The rate of unemployment should not be the only factor considered when discussing the state of the economy. Labor force participation serves as a complement to unemployment rates and provides insight into how well the economy is functioning. According to the Bureau of Labor Statistics, labor force participation is a measure that “is the number of people in the labor force as a percentage of the civilian non-institutional population 16 years old and over. In other words, it is the percentage of the population that is either working or actively seeking work”<sup>13</sup>. This definition encompasses both the employed and those considered as unemployed by the Bureau of Labor Statistics.

The labor force participation rate is indicative of those who are, or in the case of the unemployed, will be paying into the government through taxes. Additionally, those who are considered in the labor force participation rate are more likely to contribute to the American economy by increasing the output of goods and services, and the monetary input. As such, significantly lower rates of participation may be a troubling sign for a country. While slightly reduced rates of labor force participation are generally attributed to an aging population, considerably lower rates are more than likely a suggestion of an overall weakness present in the economy.

### ***Data on Labor Force Participation***

The rates of labor force participation were collected through the same databases as those of unemployment – the Bureau of Labor Statistics and the Historical Statistics of the United States Databases. Therefore, the same data collection method was utilized. Once again, there is a gap between 1997 and 2006 due to the data being unobtainable.

The labor force participation rates of the foreign and native-born populations in the United States from 1950 to 2014 are demonstrated in Table 3.2. The data show similar trends of foreign and native-born participation rates over time. However, labor force participation rates of the foreign-born population are consistently higher than those of the native. From 1950-1997, the difference remains relatively small but from 2006-2014 there is a far wider gap present between the two participation rates.

**Table 3.2** Foreign-Born vs. Native Rate of Labor Force Participation from 1950-2014

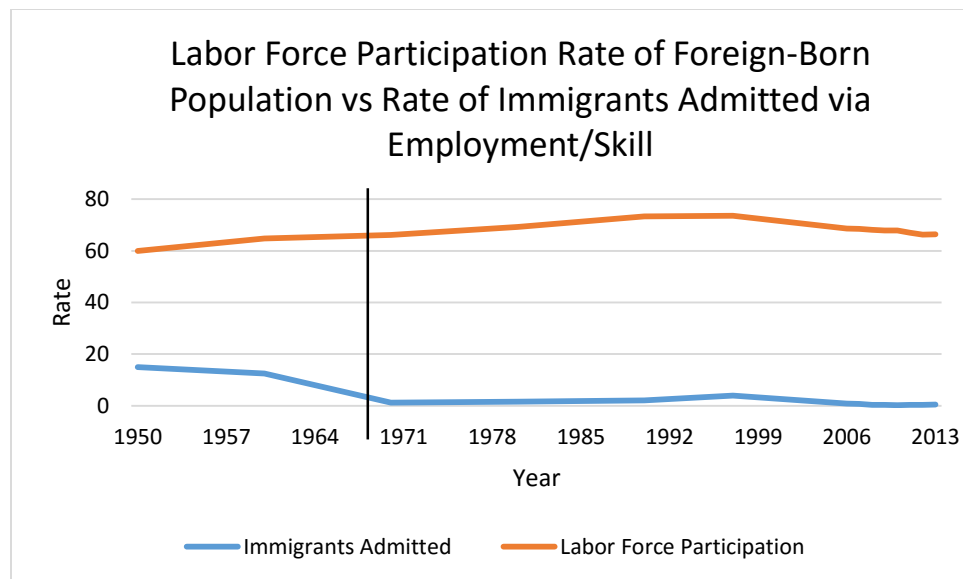
<b>Year</b>	<b>Labor Force Participation Rate (Foreign-Born)</b>	<b>Labor Force Participation Rate (Native)</b>	<b>Foreign Born – Native</b>
1950	59.95	59.31	+0.6
1960	64.75	63.33	+1.4
1970	66.10	64.73	+1.4
1980	69.30	68.96	+0.3
1990	73.35	73.13	+0.2
1997	73.55	72.86	+0.7
2006	68.60	65.80	+2.8
2007	68.50	65.60	+2.9
2008	68.10	65.60	+2.5
2009	67.90	64.90	+3.0
2010	67.90	64.10	+3.8
2011	67.00	63.60	+3.4
2012	66.30	63.20	+3.1
2013	66.40	62.70	+3.7
2014	66.00	62.30	+3.7

Source: U.S. Census Bureau Current Population Surveys

Prior to the system put in place by the Immigration Act of 1965, immigrants were admitted primarily on national origins and employment based measures. Therefore, we would expect to see higher rates of labor force participation between 1950 and 1970 for the foreign-born population. Yet, they are in fact three of the lowest rates among the foreign-born participation rates. This may be attributed to factors such as an increase in the number of women entering the workforce, immigrant or otherwise, however. Once again, to assess the impact of the immigration system put in place by the Act of 1965, I have compared the annual rates of labor

force participation among the foreign-born population to the respective rate of immigrants admitted under the employment and skill based visas in Figures 3.3 and 3.4. The data show no distinct changes in the labor force participation rates among the foreign-born population post-1965.

**Figure 3.3**

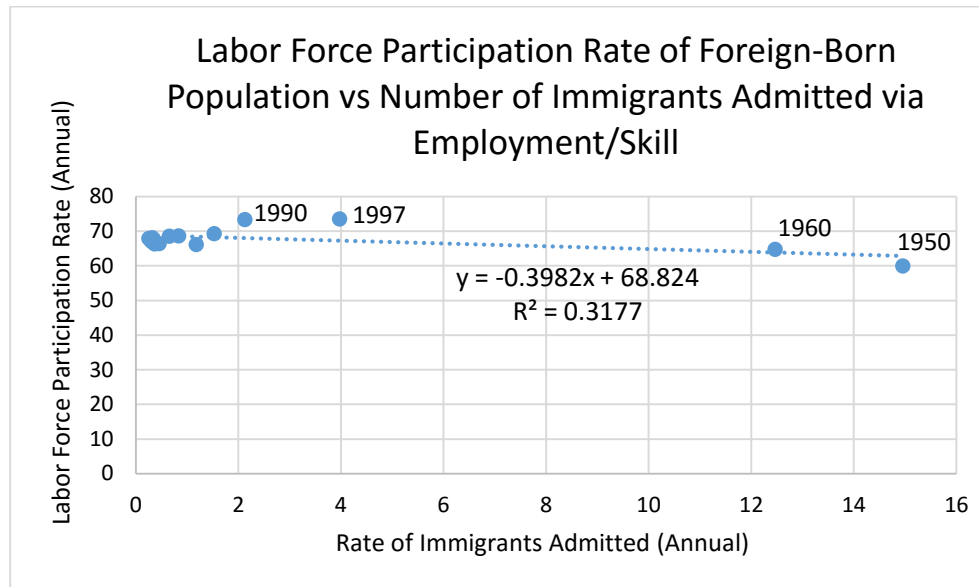


Source: U.S. Census Bureau and Department of Homeland Security

Similar to the figures on unemployment, Figure 3.4 demonstrates the same data as Figure 3.3, however it is presented in a linear regression. The pre- and post-1965 data points are divided into opposite sides of the graph in terms of the rate of skill/employment based visas allocated, but between the two time periods labor force participation rates appear to remain relatively constant. Additionally,  $r$  squared in this regression is 0.3117, explaining only approximately 31.2% of the variation. Therefore, it appears that once again the number of immigrants admitted on employment/skill based visas is not the determining factor of foreign-born labor participation rates.



**Figure 3.4**



Source: U.S. Census Bureau and Department of Homeland Security

Note: Rate of immigrants admitted refers to the rate of immigrants admitted into the United States on a yearly basis via employment/skill based visas. Rate of labor force participation refers to the annual foreign-born participation rates.

### ***Median Total Money Income***

Another economic variable that allows us to assess certain economic trends is the median total money income of households. Individually, it should not be considered as an indicator of the health of an economy. The median total money household income has the potential to reflect various situations: “the aging of the population, changing patterns in work and schooling, and the evolving makeup of the family, as well as long- and short-term trends in the economy.”<sup>18</sup> This in itself makes median total money income a poor indicator of the *overall* economic health of the foreign-born population. Nevertheless, it does allow us to consider the short-term standard of living, purchasing power, and distribution of income in the United States. According to the U.S. Census Bureau, money income is defined as “income received on a regular basis (exclusive of certain money receipts such as capital gains) before payments for personal income taxes, social

<sup>18</sup> <http://fivethirtyeight.com/features/the-american-middle-class-hasnt-gotten-a-raise-in-15-years/>

security, union dues, Medicare deductions, etc.”<sup>19</sup> In this case however, I have utilized median total money income which as defined by the Census Bureau, is “the amount obtained by dividing the total aggregate income of a group by the number of units in that group.”<sup>20</sup> Note that a household is defined as consisting “of all people who occupy a housing unit regardless of relationship.”<sup>19</sup>

#### *Data on Median Total Money Income*

The median total money household income data was collected through the U.S. Census Bureau and is presented in a slightly different manner than labor force participation and unemployment rates due to restrictions on data accessibility. To begin, Table 3.3 details the median total money income of households for the total population by age cohort. This is done so as to account for the effect of age on income. In Table 3.4, I have provided the data on the foreign-born population divided by year of entry into the United States. Additionally, I have included the median age for these cohorts so as to account for its effects.

**Table 3.3** Median Total Money Income of Households for Total Population by Age: 2011

Age (Years)	Total Money Income (\$)
25-34	\$50,774
35-44	\$61,916
45-54	\$63,861
55-59	\$61,471
60-64	\$50,681
65-74	\$41,598

Source: U.S. Census Bureau

<sup>19</sup> <https://www.census.gov/hhes/www/income/about/>

<sup>20</sup> <https://www.census.gov/hhes/www/income/about/faqs.html>

In Table 3.3 we notice that there is a slight pattern between total money income of the population and age cohorts. The data show that from 25-54 years of age, total money income increases. However, after 55 years of age, there is a steady decline. The data for the foreign-born population in Table 3.4, shows a similar pattern. Data show that after the Immigration and Nationality Act of 1965 was implemented, the median total money income of foreign-born households rose higher than that of pre-1965, regardless of period of entry. However, when comparing the foreign-born median total money income to that of the population by relevant age group, we notice that the difference between the two has in fact grown among immigrant cohorts entering the United States from 1970-1999 and fallen once more for those entering from 2000 to 2012. When accounting for age, these inconsistent patterns among post-1965 data make it difficult to attribute the differences in total money income among the foreign-born population to the immigration system put in place by the Immigration and Nationality Act of 1965.

**Table 3.4** Median Total Money Income of Foreign-Born Households: 2011

<b>Period of Entry</b>	<b>Median Age (Years)</b>	<b>Median Total Money Income (\$)</b>	<b>Foreign Born – Total Population (\$)</b>
Before 1970	69.4	\$36,081	-\$5,517
1970-1979	56.6	\$42,479	-\$18,995
1980-1989	48.5	\$42,030	-\$21,831
1990-1999	40.3	\$38,436	-\$23,480
2000-2012	31.9	\$36,300	-\$14,474

Source: U.S. Census Bureau

Note: Median Total Money Income includes family and nonfamily household. The foreign-born – total population column accounts for age. Therefore, the difference was calculated by considering median age of the immigrant cohort and utilizing the average total money income of the respective age group of the total population.

### ***Below Poverty Level***

The poverty level is “the level of income that makes it possible for a person to pay for basic food, clothing, and shelter.”<sup>21</sup> Thus, those living below the poverty level are individuals who lack the means through which to obtain these basic necessities. The U.S. Census Bureau “uses a set of money income thresholds that vary by family size and composition to determine who is in poverty. If a family's total income is less than the family's threshold, then that family and every individual in it is considered in poverty. The official poverty thresholds do not vary geographically, but they are updated for inflation using Consumer Price Index.”<sup>22</sup>

High rates of poverty are often associated with economic insecurity and big federal spending. Much like the unemployment benefits mentioned at the beginning of this chapter, programs such as the Supplemental Nutrition Assistance Program (SNAP) and Medicaid, assist those living at or below the poverty level. SNAP serves to “provide [additional] assistance during economic downturns...nutritional support for low-wage working families, low-income seniors, and people with disabilities living on fixed incomes.”<sup>23</sup> Medicaid “is a joint federal and state program that helps with medical costs for some people with limited income and resources.”<sup>24</sup> In 2014 SNAP and Medicaid spent \$76 billion<sup>12</sup> and \$495.8 billion,<sup>25</sup> respectively.

### ***Data on Poverty Level***

Once again, the data utilized for this analysis was collected through the U.S. Census Bureau and is presented in a manner similar to the total money income. Table 3.5 shows the

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<sup>21</sup> <http://www.merriam-webster.com/dictionary/poverty%20level>

<sup>22</sup> <https://www.census.gov/hhes/www/poverty/about/overview/measure.html>

<sup>23</sup> <http://www.cbpp.org/research/policy-basics-introduction-to-the-supplemental-nutrition-assistance-program-snap>

<sup>24</sup> <https://www.medicare.gov/your-medicare-costs/help-paying-costs/medicaid/medicaid.html>

<sup>25</sup> <https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/nhe-fact-sheet.html>

percentage of the total population living below poverty level based on age cohort while Table 3.6 summarizes the data on the foreign-born population. This data is once again divided by year of entry and complemented by the median age of that cohort.

**Table 3.5** Percentage Living Below Poverty Level of Total Population by Age: 2011

Age (Years)	Living Below Poverty Level (%)
25-34	15.9
35-44	12.2
45-54	10.9
55-59	10.7
60-64	10.8
65-74	7.4

Source: U.S. Census Bureau

At first glance, the data shows that immigrants admitted prior to the Immigration Act of 1965 have lower percentages of individuals living below poverty level. However, foreign-born cohorts who entered more recently tend to be younger than those admitted in earlier years. This is where the data from Table 3.5 comes into play. Let's compare the foreign-born data to the total population in terms of age. For example, the foreign-born 2000-2012 cohort had 25.2 percent of people living below poverty level in 2011. The median age for this cohort was 31.9 years. In the total population we look at the data for the 25-34 years cohort since 31.9 falls within this range. Now we see that this cohort has the highest percent of people living below poverty level just as the younger 2000-2012 foreign-born cohort. As we continue to repeat this process for the remainder of the foreign-born cohorts we can see that data from the total population demonstrates the same trends as those of the foreign-born; younger individuals have a larger

number of those living below poverty level than older cohorts. And while the foreign-born population consistently showed percentages larger than the total population, because of the presence of this pattern related to age, it is difficult for us to determine whether the post-1965 immigration system has brought with it any significant impact on the percent of the foreign-born population living below poverty level.

**Table 3.6** Percentage Living Below Poverty Level Total vs. Foreign-Born Population: 2011

Period of Entry	Median Age (Years)	Living Below Poverty Level (%)	Foreign Born – Total Population (%)
Before 1970	69.4	9.7	+2.3
1970-1979	56.6	12.7	+2.0
1980-1989	48.5	14.7	+3.8
1990-1999	40.3	18.2	+6.0
2000-2012	31.9	25.2	+9.3

Source: U.S. Census Bureau

Note: The Foreign Born – Total Population column accounts for age. Therefore, the difference was calculated by considering median age of the immigrant cohort and utilizing the percentage of individuals living below poverty level of the respective age group of the total population.

### ***Highest Level of Education Attained***

According to the United States Census Bureau “educational attainment refers to the highest level of education that an individual has completed. This is distinct from the level of schooling that an individual is attending.”<sup>26</sup> In general, individuals with higher levels of education achieved “earn more, and enjoy more comfortable and secure lifestyles.”<sup>27</sup> Collectively, a population with a higher rate of educational attainment benefit from the increased purchasing power of individuals. This “boosts national, state, and local economies: increases home and auto sales; creates jobs and economic growth; and leads to higher tax receipts.”<sup>26</sup>

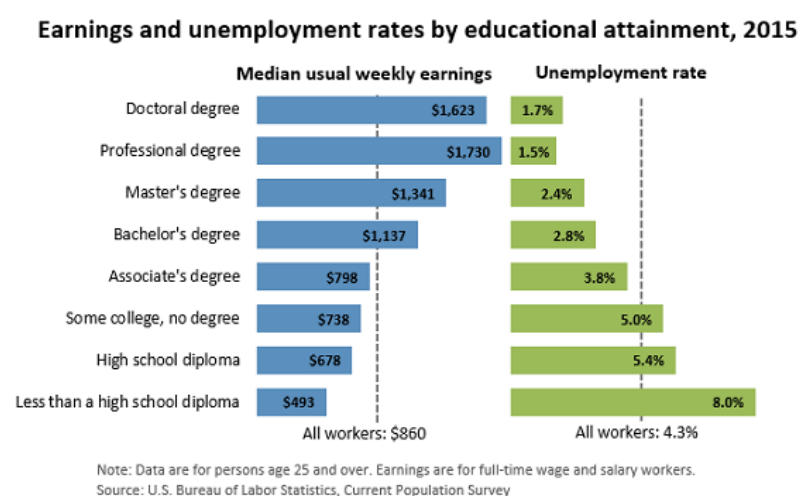
<sup>26</sup> <https://www.census.gov/hhes/socdemo/education/about/>

<sup>27</sup> <http://all4ed.org/issues/economic-impacts/>

Inversely, those with lower education attainment are faced with higher levels of unemployment and need for government support. Additionally, they pay less taxes into the government due to lower earnings. This creates a problem for communities “as they find it more difficult to attract new business investments” and “must spend more on social programs.”<sup>27</sup>

To visualize the effect of education on various economic factors we turn to Figure 3.5 which demonstrates earnings and unemployment rates by educational attainment in 2015. This figure demonstrates that those with lower levels of educational attainment on average earn less weekly and have a higher rate of unemployment. This strong correlation between educational attainment and the median weekly earnings is further supported by evidence that “high-wage states are states with a well-educated workforce.”<sup>28</sup> Therefore, “states can increase the strength of their economies and their ability to grow and attract high-wage employers by investing in education and increasing the number of well-educated workers.”<sup>28</sup>

**Figure 3.5**



<sup>28</sup> <http://www.epi.org/publication/states-education-productivity-growth-foundations/>

### *Data on Educational Attainment*

The data on educational attainment was collected from the U.S. Census Bureau and organized by foreign-born and total population. Once more, I have included median age and their cohorts to compare foreign-born data to that of the total population. Tables 3.7 and 3.8 summarize the data gathered for these two populations.

**Table 3.7** Percentage of Highest Level of Education Attained for Total Population by Age: 2012

Age (Years)	High School Graduate or More (%)	Bachelor's Degree or More (%)
25-34	51.2	27.8
35-54	53.1	27.0
55+	52.7	22.0

Source: U.S. Census Bureau

In the foreign-born cohort “before 1970”, data show that the foreign-born population presented with the highest percent of “high school graduate or more” than any cohort. By comparing this percentage with the relevant age cohort of the total population, we see that this does not hold true for the total population. Among the total population, the cohort with the highest percentage of “high school graduate or more” is in fact those aged between 35-54 years. If the foreign-born population had demonstrated similar patterns to that of the total population the “2000-2012” foreign-born cohort would have had the highest percent of “high school graduate or more.” However, this was not the case. If we continue to compare the total and foreign-born populations we realize that these two populations don’t hold similar patterns of “high school graduate or more.” But is this a result of the post-1965 immigration system that prioritizes family reunification immigration above employment and skill-based? Probably not. Let’s take a look at Table 3.8 once more. The data show that those entering the United States



prior to the post-1965 immigration system hold the highest “high school graduate or more” percentage. However, among the two most recent cohorts, the percentage of “high school graduate or more” is slowly climbing. Additionally, those entering through the post-1965 system show consistently higher percentages of “bachelor’s degree or more” than those who entered pre-1965. In essence, it does not appear that the reduction of skill based visas has effected the educational attainment of post-195 immigrants.

**Table 3.8** Percentage of Educational Attainment Total vs. Foreign-Born Population: 2012

<b>Period of Entry</b>	<b>Median Age (Years)</b>	<b>High School Graduate or more (%)</b>	<b>Bachelor’s Degree or more (%)</b>	<b>Foreign Born – Total Population (HS) (%)</b>	<b>Foreign Born – Total Population (Post-HS) (%)</b>
Before 1970	69.4	76.3	24.6	+23.6	+2.6
1970-1979	56.6	73.1	27.9	+20.4	+5.9
1980-1989	48.5	70.0	27.7	+16.9	+0.7
1990-1999	40.3	70.7	27.9	+17.6	+0.9
2000-2012	31.9	71.7	32.9	+20.5	+5.1

Source: U.S. Census Bureau

Note: Data includes those aged 25 years and over. The foreign born – total population column accounts for age. Therefore, the difference was calculated by considering median age of the immigrant cohort and utilizing the percentage of highest level of education attained of the respective age group of the total population.

Given the evidence presented in Tables 3.7 and 3.8, it is difficult to conclude that the post-1965 immigration system has a strong determining factor in the educational attainment of immigrants. However, should it play a small role, various other factors such as the increased value of a post-secondary degree, and the implementation of programs such as in-state tuition for undocumented immigrants undeniably do as well.

In the next chapter I will discuss in detail what the data presented in this chapter tells us about the impact of the Immigration and Nationality Act of 1965 on the American economy.

The system implemented by the Immigration Act of 1965 contributed to a profound change in the demographics of the United States. The primary driving force behind this was the replacement of the national origins quota system with a family-based preferences system that brought with it a new wave of immigration. Through my research I attempted to answer whether these changes included economic factors and if so, how these changes had effected the American economy. In the previous chapter, I quantified various economic characteristics of the pre- and post-1965 foreign-born population by providing data on the unemployment and labor force participation rate, median total money income, percentage living below the poverty level, and educational attainment.

Based on the analysis of the data presented in Chapter 3, I have arrived at three key findings. 1) The foreign-born unemployment and labor force participation rates have remained fairly constant pre- and post-1965. Additionally, when annual rates of unemployment and labor force participation are compared to the respective number of immigrants admitted via employment/skill based visas, there is a slight indication that there is a relationship between the two variables. However, it lacks the statistical significance to conclusively determine a cause and effect relationship. 2) Data on total money income of foreign-born households and percent of foreign-born individuals living below poverty level suggested that immigrants entering the United States more recently had reduced total money income and an increased number of individuals living below poverty level in 2011. However, by considering median age of the immigrant cohorts and comparing it to the relevant age groups among the total population in the

country, both variables showed patterns similar to that of the total population. The total population showed evidence that younger persons generally tend to have lower total money incomes and a greater number of people living below poverty level. Since the more recent an immigrant cohort had entered the country, the younger the median age, there was determined to be a stronger relationship between age, total money income, and poverty level than that of total money income, poverty level, and the post-1965 immigration system. 3) Data on educational attainment among the foreign-born population showed that post-1965 immigrants in 2011 had reduced percentages of individuals identifying as “high school graduate or more.” Unlike the total population however, immigrants who had entered the country more recently and had a younger median age, showed increasing percentages. For the attribute “Bachelor’s degree or more,” we saw a different trend. Among the foreign-born and total population, younger individuals had higher percentages of having completed a “bachelor’s degree or more” relative to older cohorts. Consequently, immigrant cohorts who had entered the country more recently, displayed higher rates than those entering pre-1965. There was no consistent pattern among the educational attainment data relative to pre- and post-1965 immigration. While pre-1965 immigrant cohorts demonstrated greater numbers of high school graduates or more, post-1965 immigrants had higher numbers of people completing a bachelor’s degree or more. Even when compared to the total population by respective age groups, the data for the foreign-born population had key differences. In essence, I was unable to determine the effects of both age and the post-1965 immigration system on the foreign-born population. This I suspect, is due to the numerous variables such as income that contribute to educational attainment. In the next section I will be discussing the economic implications of these findings

## ***Economic Impact***

In Chapter 3 we discussed some of the most common ways to measure the state of the economy. One of these measurements is the unemployment rate. This is “most often used as measure of labor force utilization and as [an] indicator of general economic activity.”<sup>29</sup> Typically, high rates of unemployment reflect reduced living standards for individuals and a reduced collective contribution to the American economy. Upon review of the analysis and findings, the post-1965 immigration system does not appear to have had any significant impact on the unemployment rate of immigrants in the United States. As a result, the visa allocation system itself does not appear to have an immediate effect on the economy in terms of the unemployed. Relatively speaking, the foreign-born populations’ collective contribution to the economy shows little change between pre- and post-1965 immigration. However, unintentional consequences of the post-1965 immigration system should not be dispelled. For instance, the post-1965 immigration system has been accompanied by an increase in the undocumented immigrant population in the United States. The effects of this on the unemployment rate and the American economy is something that should be discussed in future research.

Similarly, labor force participation rates of the foreign-born population did not demonstrate a clear causal relationship with the post-1965 immigration system. In fact, the data showed a gradual upwards trend in participation. The labor force participation rate has the ability to reflect multiple trends. Without accounting for factors such as the aging of the workforce or the increase of women entering the workforce, it is difficult to attribute any differences to the change in the immigration system. Nevertheless, we are able to conclude that this slight increase

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<sup>29</sup> Lovati, J. *The Unemployment Rate as an Economic Indicator*. Federal Reserve Bank of St. Louis. (1976). Pg 3.

in labor force participation among immigrants benefits the economy as more individuals pay taxes and provide goods and services.

An individual's income rises with the increase of their educational attainment. "Since workers with higher incomes contribute more through taxes over the course of their lifetimes," this benefits the economy.<sup>28</sup> The correlation between education and wages is strong and it is shown to benefit the state of the economy. The Economic Policy Institute states:

"The 22 states with the least-educated workforces (30 percent or less with a bachelor's degree or more education), median wages hover around \$15 an hour, the only exceptions being Alaska and Wyoming. In the three states where more than 40 percent of the population has a bachelor's or more education, median wages are \$19 to \$20 an hour, nearly a third higher. For a full-time, full-year worker, a median wage of \$15 versus \$20 an hour means the difference between making \$30,000 a year and making \$40,000 a year. For a household with one person working full time and one person working half time, it is the difference between making \$45,000 a year and making \$60,000 a year."<sup>28</sup>

The data on educational attainment of the foreign-born population did not demonstrate a consistent pattern among those identifying as high school graduates or more. However, among those with a bachelor's degree or more, percentages have been on the rise. Unfortunately, it is difficult to determine the potential economic impact of these findings. Reduced high school graduates pose a negative impact on the economy, yet increasing college graduates are able to earn more and thus contribute more. Ultimately, it may be that there is no net economic impact of pre- and post-1965 immigration. However, this is something that must be concluded in future research.

Finally, let's take a look at the significance of findings on individuals living below the poverty level and median total money income. Persons living below the level are defined as those that lack the means through which to acquire basic necessities such as food, shelter, and clothing. Furthermore, greater numbers of individuals living below the poverty level may reflect economic insecurity and increased federal and state spending on government assistance

programs. In my research I found that immigrants who had entered the country more recently, displayed a higher percent of people living below poverty level. This has not been determined to be a direct cause of the post-1965 immigration system though. When compared to the total population, both groups displayed similar trends in regards to age and poverty level. Therefore, whether the increase be a result of period of entry, age, or some other factor, in 2011, immigrants who had entered the country more recently had a larger negative effect on the economy in terms of individuals living below poverty level, than those who had entered pre-1965.

Median total money income allows us to assess the purchasing power of individuals and their contribution to the government through taxes, among other things. Median total money income resulted in findings similar to those of poverty level. Once again, there appears to be a pattern present between age, period of entry, and total money income. Nevertheless, by taking the results into consideration, there is evidence to support the claim that those who have entered the country more recently may have a reduced purchasing power and contribution to the economy than those who entered during earlier periods due to the status of their total money income.

### *Limitations*

Throughout my research I ran into several limitations. The most predominant of which was the complexity of obtaining data. Initially I had intended to extend my time period in order to better determine the relationship of the pre- and post-1965 immigration systems on various economic variables. However, as I have noted in previous chapters, much of the historical data was unobtainable. I expect that including data prior to 1950 as well as the data missing from the late 20<sup>th</sup> and early 21<sup>st</sup> century, would have proved indisputably beneficial. Additionally, because

of data availability on the foreign and native-born populations, I was not able to include a comparison of the two as I had originally intended. Instead, I used the total population which could have potentially skewed my findings because of its inclusiveness of the foreign-born population. Finally, my data limitations also prevented me from including additional variables in my analysis of the post-1965 immigration system. In future research, additional factors such as use of welfare and services, occupation, and the state of the economy should be addressed.

### *Final Conclusions*

The effect of the post-1965 immigration system on the economy is difficult to assess. The data included in this research suggest that although the ethnic composition of immigrants has in fact changed, the economic characteristics of the foreign-born population may not have. For example, while we see things such as an increase in the percentage of individuals living below poverty level from post-1965 immigrants, we see a similar trend among the total population in relation to age and as such may not be a consequence of the immigration system itself but rather of age. Through the analysis of five economic variables, I have found support for my first null hypothesis which states that there will not be any significant economic differences between pre- and post-1965 immigrants. Furthermore, although limited, my research provides support for my second null hypothesis as well. This states that changes among post-1965 immigrants yield no significant positive or negative economic impact.

The issue of immigration has and will for the foreseeable future, continue to be a polarizing issue. In order to determine our most viable course of action, careful analysis of immigration policies and their implications must be considered. It is my hope that this research

contributes to the discussion of immigration in the United States and that one day, we as a country, can agree on an immigration system that is characteristic of the American dream.



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